Full Capital Account Convertibility

3224. SHRI CHITTABRATA MAJUMDAR:
SHRI TAPAN KUMAR SEN:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are considering Full Capital Account Convertibility; and

(b) if so, the details thereof and the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Reserve Bank of India (RBI), in consultation with the Government of India, has appointed a committee for setting out a road map for fuller capital account convertibility. The Committee, chaired by Shri S.S. Tarapore, has the following terms of reference:

(i) Review the experience of various measures of capital account liberalization in India.

(ii) Examine implications of fuller capital account convertibility on monetary and exchange rate management, financial markets and financial system.

(iii) Study the implications of dollarisation in India of domestic assets and liabilities and internationalization of the Indian rupee.

(iv) Provide a comprehensive medium-term operational framework with sequencing and timing for fuller capital account convertibility taking into account the above implications and progress in fiscal and revenue deficits of both centre and States.

(v) Survey the regulatory framework in countries which have advanced towards fuller capital account convertibility.

(vi) Suggest appropriate policy measures and prudential safeguards to ensure monetary and financial stability.

(vii) To make such other recommendations as the Committee may deem relevant to the subject.

The Committee is expected to submit its report by July 31, 2006 to RBI.